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MEMORANDUM

May 5, 2021

TO: The Chairman and Members of the Commission

FROM: Joshua Bowman, Public Utility Analyst

SUBJECT: IN THE MATTER OF THE APPLICATION OF ARTESIAN WATER COMPANY, INC. FOR AUTHORITY TO IMPLEMENT A DSIC RATE EFFECTIVE JANUARY 1, 2019 PURSUANT TO 26 DEL. C. § 314 (FILED NOVEMBER 15, 2019) – PSC DOCKET NO. 19-0747

IN THE MATTER OF THE APPLICATION OF ARTESIAN WATER COMPANY, INC. FOR AUTHORITY TO IMPLEMENT A DSIC RATE EFFECTIVE JULY 1, 2019 PURSUANT TO 26 DEL. C. § 314 (FILED MAY 29, 2020) – PSC DOCKET NO. 20-0346

On November 15, 2019, Artesian Water Company, Inc. ("Artesian" or the "Company") filed with the Delaware Public Service Commission ("Commission") an application to reset its Distribution System Improvement Charge ("DSIC Rate") from 7.41% to 7.50% with an effective date of January 1, 2020. This increase was not based on any new additional plant placed into service. Rather, the increase is due to the removal of an over-collection adjustment that Artesian included in its prior DSIC filing in order to reconcile the audit of its 2018 DSIC Rates.

On December 12, 2019, the Commission entered Order No. 9510, opening Docket No. 19-0747 and approving Artesian's request to reset the DSIC Rate, subject to Commission Staff's ("Staff")

annual review, audit and reconciliation to be performed based on the 12-month period ending December 31, 2020.

On May 29, 2020, Artesian filed an application to reset its DSIC Rate from 7.50% to 7.41%, with an effective date of July 1, 2020. This reduction was not based on any new additional plant placed into service. Rather, the reduction is the result of Artesian reconciling the over-collection that resulted from the audit of Artesian's 2019 DSIC Rates.

On June 17, 2020, the Commission entered Order No. 9605, opening Docket No. 20-0346 and approving Artesian's request to reset the DSIC Rate, subject to Staff's annual review, audit and reconciliation to be performed based on the 12-month period ending December 31, 2020.

Since there was no new plant additions included in Artesian's 2020 DSIC rate filings, Staff's audit focused on two issues, namely, Artesian's overall rate of return for the 12-month period ending December 31, 2020, and the correct application of the DSIC Rates on customers' bills during the DSIC Rate effective period.

On March 8, 2021, Artesian provided copies of customer bills for each month of the DSIC Rate effective period. Staff found that the customer bills correctly reflected the DSIC Rate in effect for each month.

On April 23, 2021, Artesian provided its rate of return report for the 12 months ending December 31, 2020. Staff reviewed the report and found that Artesian's rate of return for the 12-month period ending December 31, 2020 did not exceed its authorized rate of return.

Therefore, Staff recommends that the DSIC Rate of 7.50% in effect from January 1, 2020 through June 30, 2020, and the DSIC Rate of 7.41% in effect from July 1, 2020 through December 31, 2020, be approved as final.

Staff has shared its findings with the Company and the DPA, and all parties are in agreement. Accordingly, Staff recommends that the Commission approve the conditional rates from PSC Order Nos. 9510 and 9605 as final 2020 DSIC rates for the associated time periods and that the Commission close Docket Nos. 19-0747 and 20-0346.